

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 2508
Cincinnati, OH 45201

Person to Contact:

Telephone Number:

Refer Reply to:

EP/EO

Date:

MAR 12 1985

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(7) of the Internal Revenue Code of 1954 and its applicable Income Tax Regulations.

The application disclosed that [REDACTED] owns all real property, land and buildings, and that its sole activity is holding the title to the real property and making capital improvements as needed.

The purpose clause in the articles of incorporation provides for you to acquire, own, lease, manage and operate the land, clubhouse and other property for hunting, fishing, camping and other recreational purposes in a manner not involving a profit for its membership.

[REDACTED] shares of [REDACTED] stock have been sold, and these [REDACTED] shareholders are the members of a club formed in accordance with the By-laws and Constitution for the control and management of the club's activities. The club is a separately formed association called [REDACTED].

The benefits and privileges of club membership are the use of the grounds and enjoyment of the clubhouse when it is open to serve guests. A plural membership card entitles the member to bring in guests, to transfer each year his hunting rights to direct, line descendants, a brother or sister, and to hunt, fish, and trap on the property. Cabin, trailer and tent camping sites are available upon request.

Section 501(c)(7) of the Code provides for the exemption from Federal income tax of clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Regulations states that the exemption provided by section 501(a) of the Code for an organization described in section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inure to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

Revenue Ruling 55-716, 1955-2 C.B.263.

An organization formed for the purpose of furnishing facilities (television antenna service) to its members was not entitled to be exempt under section 501(c)(7) of the Code, because it was not a club organized exclusively for pleasure, recreation, and other nonprofitable purposes.

Revenue Ruling 70-32, 1970-1 C.B. 132.

A flying club which provided economical flying facilities for its members was not exempt as a social club because they did not have an organized social and recreation program.

Based on the available information, it is our opinion that you do not qualify for exemption from Federal income tax under the provisions of section 501(c)(7) of the Code because you are not organized or operating for the purpose of a social club. [REDACTED] organization is merely an entity to hold title to and maintain the real estate. Membership entitles each member to join the [REDACTED] which may or may not be a social club within the definition of section 501(c)(7) of the Code. A social club is a group of individuals who have joined together for the purposes of socializing with each other for their pleasure and recreation. In the rulings cited above the organizations were determined not to be exempt because they lacked the social purposes and comingling of its members.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1120.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

[REDACTED]

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892 (Rev. 7-83), "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You must request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If we do not hear from you within the time specified, this will become our final determination.

Sincerely Yours,

[REDACTED]

[REDACTED]

District Director

Enclosures: 2